WASHINGTON. D.C. – An audit that will be released tomorrow by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) entitled: "Factors Affecting the Decisions of General Motors and Chrysler to Reduce Their Dealership Networks" has found that it is unclear if the Obama Administration's push for accelerated dealership closings mandated by their auto bailout of General Motors (GM) and Chrysler "was either necessary for the sake of the companies' economic survival or prudent for the sake of the Nation's economic recovery" and that "Treasury made a series of decisions that may have substantially contributed to the accelerated shuttering of thousands of small businesses and thereby potentially adding tens of thousands of workers to the already lengthy unemployment rolls – all based on a theory and without sufficient consideration of the decisions' broader economic impact."

"This sobering report should serve as a wake-up call as to the implications of politically-orchestrated bailouts and how putting decisions about private enterprise in the hands of political appointees and bureaucrats can lead to costly and unintended consequences, said Rep. Darrell Issa, the Ranking Member of the House Committee on Oversight and Government Reform Ranking Member Darrell Issa (R-CA). "The Obama Administration made a conscious decision to accelerate a plan that jeopardized the jobs tens-of-thousands of American workers."

SIGTARP also found "that GM did not consistently follow its stated criteria and that there was little or no documentation of the decision-making process to terminate or retain dealerships with similar profiles, or of the appeals process" and that "making termination decisions with little or no transparency and making a review of many of these decisions impossible…" Recently, Issa (R-CA) and Domestic Policy Subcommittee Ranking Member Jim Jordan (R-OH) sent a letter to General Motors Corporation (GM) Chairman and Chief Executive Officer Ed Whitacre requesting that GM "immediately cease any further document destruction" upon learning that GM's "document retention policy" entailed the "purging" of all electronic documents after 60 days and that GM does not employ any backup system to retain copies of the electronic documents.

“In light of the American taxpayers’ 61 percent ownership stake in GM and the Committee’s ongoing investigations, GM’s continued destruction of documents is unacceptable,” Issa and Jordan wrote. “Until such time as U.S. taxpayers have been divested of all financial interests in GM, we request that you immediately stop destroying documents and begin preserving all records and communications referring or relating to GM’s status as a taxpayer-owned company, its relationship or interaction with government officials, and any issue that could be relevant to public policy…this letter puts the company on notice that any further destruction of relevant material is evidence of criminal misconduct. We would then have an obligation to report such conduct to the U.S. Department of Justice for prosecution.”

Specifically, the SIGTARP audit found:

- At a time when the country was experiencing the worst economic downturn in generations and the Government was asking its taxpayers to support a $787 billion stimulus package designed primarily to preserve jobs, Treasury made a series of decisions that may have substantially contributed to the accelerated shuttering of thousands of small businesses and thereby potentially adding tens of thousands of workers to the already lengthy unemployment rolls – all based on a theory and without sufficient consideration of the decisions’ broader economic impact. (Page 31)

- Job losses at terminated dealerships were apparently not a substantial factor in the Auto Team’s consideration of the dealership termination issue…it is clear that tens of thousands of dealership jobs were immediately put in jeopardy as a result of the terminations by GM and Chrysler. In the fact of the worst unemployment crisis in a generation and during the same period in which Government was spending hundreds of billions of dollars on a stimulus package to spur job growth, the Auto Team rejected GM’s original plan (which included gradual dealership terminations), expressly indicated that GM's pace of terminations was too slow, and then encouraged the companies' use of bankruptcy to accelerate dealership terminations…it is not at all clear that the greatly accelerated pace of the dealership closings during one of the most severe economic downturns in our Nation's history was either necessary for the sake of the companies' economic survival or prudent for the sake of the Nation's economic recovery. (Page 33)

- Just as troubling, there was little or no documentation of the decision-making process to terminate or retain dealerships with similar profiles, making it impossible in many cases for SIGTARP to determine the causes of deviations from the supposedly objective criteria. (Page 2)

- That the automakers have offered reinstatement to hundreds of terminated dealerships in response to Congressional action without any apparent sacrifice to their ongoing viability further demonstrates the possibility that such dramatic and accelerated dealership closings may not have been necessary and underscores the need for Treasury to tread very carefully when considering such decisions in the future. (Page 31)

- Furthermore, although is was certainly understandable for Treasury to defer to the automakers' management in selecting the criteria for closing dealerships, its decision to not monitor the process that they employed is far more questionable. In the absence of effective oversight, GM purportedly employed objective criteria but then deviated from such criteria, making termination decisions with little or no transparency and making a review of many of these decisions impossible… (Page 36)

- The fact that Treasury was acting in part as an investor in GM and Chrysler does not insulate Treasury from its responsibility to the broader economy. Treasury should have taken special care given that the Auto Team's determinations had the potential to contribute to job losses, particularly given that one goal of the loan agreements was to "preserve and promote jobs of the American workers employed directly by the automakers and subsidiaries and in related industries." (Page 2)

- This audit concludes that before the Auto Team rejected GM's original, more gradual termination plan as an obstacle to its continued viability and then encouraged the companies to accelerate their planned dealership closures in order to take advantage of bankruptcy proceedings, Treasury (a) should have taken every reasonable step to ensure that accelerating the dealership termination was truly necessary for the long-term liability of the companies and (b) should have at least considered the benefits to the companies from the accelerated terminations outweighed the costs to the economy that would result from potentially tens of thousands of accelerated job losses. (Page 2)

- It is worth noting that GM's top rival among U.S. automakers, Ford Motor Company, which is also carrying out plans to "aggressively restructure to operate profitably," is closing dealerships at a rate similar to that in GM's original restructuring plan which was rejected by Treasury. (Page 33)

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